

Message Text

CONFIDENTIAL

PAGE 01 TEHRAN 05681 01 OF 03 111031Z

50

ACTION INR-10

INFO OCT-01 AF-10 EUR-25 NEA-14 ISO-00 FEA-02 AEC-11

AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 EB-11

FPC-01 H-03 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 DRC-01

XMB-07 FRB-02 AGR-20 IO-14 OPIC-12 SWF-02 /235 W

----- 083755

R 110914Z JUL 74

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 7275

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DACCA

AMEMBASSY DAKAR

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY IALAMABAD

AMEMBASSY KABUL

AMEMBASSY KHARTOUM

AMEMBASSY KINSHASA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MASERU

AMEMBASSY MUSCAT

AMEMBASSY NAIROBI

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

AMEMBASSY RABAT

AMEMBASSY ROME

AMEMBASSY TUNIS

USMISSION EC BRUSSELS

OECD PARIS

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TEHRAN 05681 01 OF 03 111031Z

CONFIDENTIAL SECTION 1 OF 3 TEHRAN 5681

E.O. 11652: GDS

TAGS: EAID, EFIN, IR

SUBJECT: ECONOMIC ASSISTANCE BY OIL PRODUCERS: IRAN

REF: STATE 135977 AND AS CITED

1. SUMMARY: IRAN IS RAPIDLY MOVING FROM STATUS OF AID RECIPIENT NATION TO SIGNIFICANT FOREIGN ASSISTANCE DONOR. BILATERAL COMMITMENTS TO DEVELOPING COUNTRIES THUS FAR MAY TOTAL OVER \$3 BILLION, AND ASSISTANCE THROUGH IMF/IBRD BY MID-1975 MAY AMOUNT TO 1.05 BILLION. BILATERAL LOANS AT CONCESSIONAL INTEREST RATES SO FAR HAVE BEEN CONFINED TO AFRO-ASIAN NATIONS WITH WHICH IRAN WANTS TO IMPROVE RELATIONS AND BUILD PRESTIGE. TECHNICAL ASSISTANCE IS SMALL AND CONCENTRATED MOSTLY IN MIDDLE EAST. SIZABLE BALANCE OF PAYMENTS ASSISTANCE IS BEING GIVEN DEVELOPED COUNTRIES IN FORM OF PRE-PAYMENT FOR PLANNED INDUSTRIAL EQUIPMENT IMPORTS. A VIABLE ORGANIZATIONAL FRAMEWORK FOR IRANIAN FOREIGN AID REMAINS TO BE SET UP, BUT AFTER CONSIDERABLE BUREAUCRATIC INFIGHTING THE RESPONSIBILITY SEEMS LIKELY TO GO TO FOREIGN LOANS AND CREDITS DIVISION, MINISTRY OF ECONOMICS AND FINANCE. END SUMMARY.

2. BILATERAL AID: A. GRANTS--EXCEPT IN TECHNICAL ASSISTANCE CATEGORY (SEE BELOW), IRAN THUS FAR HAS GIVEN NO KNOWN GRANT AID. HOWEVER, POSSIBILITY THAT SOME GRANT AID HAS BEEN DOLED OUT DIRECTLY BY SHAH WAS MENTIONED BY ONE GOI OFFICIAL WHO SAID DECISIONS REGARDING SUCH GIFTS WOULD BE MADE ONLY AT HIGHEST LEVEL AND INFORMATION WOULD NOT BE IMPARTED TO GOI BUREAUCRACY. EMBASSY DOUBTS THAT LARGE AMOUNTS HAVE BEEN HANDED OUT BY HIM.

B. LOANS--ASSISTANCE TO OTHER DEVELOPING COUNTRIES IS BEING ALLOCATED MOSTLY IN FORM OF CONCESSIONAL LOANS. BELOW IS LISTED BY COUNTRY AVAILABLE INFORMATION GATHERED FROM VARIOUS SOURCES ON INDIVIDUAL LOANS EITHER ALREADY NEGOTIATED OR IN PROCESS. MUCH WAS OBTAINED FROM AMERICAN-TRAINED ECONOMIST, M.R. PIROOZKAR, ACTING ASSISTANT DIRECTOR OF FOREIGN LOANS AND CREDITS DIVISION, MINISTRY OF ECONOMICS AND FINANCE, WHO

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TEHRAN 05681 01 OF 03 111031Z

EMPHASIZED SPECIFICS OF LOAN AGREEMENTS ARE CONSIDERED CLASSIFIED BY GOI AND REQUESTED INFORMATION BE CLOSELY HELD. STANDARD PATTERN IS FOR SIGNING OF PROTOCOL AT END OF HIGH LEVEL VISIT CALLING FOR LARGE IRANIAN ASSISTANCE TO AND/OR INVESTMENT IN OTHER COUNTRY. PROTOCOL IS PUBLIC DOCUMENT, BUT LOAN AGREEMENTS NEGOTIATED LATER ON ARE NOT PUBLISHED. FOR JOINT VENTURES, IN MANY CASES PRIVATE COMPANIES IN BOTH COUNTRIES MUST WORK OUT DETAILS. PIROOZKAR SAID INTEREST RATES FOR CONCESSIONAL LOANS

RANGE FROM ONE-HALF OF ONE PERCENT TO FOUR PERCENT. IN MOST CASES, HE WOULD NOT GIVE SPECIFIC DATA LOAN BY LOAN BUT ADDED MOST ARE IN 10-20 YEAR REPAYMENT PERIOD RANGE. LOANS ARE ALMOST ALL MADE IN \$US, AND MOST ARE NOT TIED TO IMPORTS FROM IRAN. PIROOZKAR SAID CREDITS EITHER ALREADY NEGOTIATED OR INCLUDED IN PROTOCOLS ALREADY SIGNED, WHICH GOI VIEWS AS FIRM COMMITMENTS, NOW TOTAL ABOUT \$2.5 BILLION. SOME MAY FALL BY WAYSIDE, HOWEVER, AND DISBURSEMENT PERIOD FOR MOST COMMITMENTS LIKELY TO EXTEND OVER SEVERAL YEARS.

(1) EGYPT - AT \$870 MILLION, POTENTIAL IRANIAN LENDING TO EGYPT IS LARGEST AMOUNT FOR TRADE AND JOINT VENTURES NOT INVOLVING OIL SO FAR DISCUSSED WITH ANY COUNTRY. NO ADDITIONAL INFORMATION AVAILABLE TO THAT CONTAINED IN TEHRAN 4241 OTHER THAN JULY 6 PRESS REPORT OF INITIALING IN CAIRO OF AGREEMENT TO SET UP JOINT INVESTMENT BANK. OTHER AGREEMENTS APPARENTLY NOT YET NEGOTIATED. MENTION IN PROTOCOL OF \$100 MILLION CREDIT FOR IMPORT OF IRANIAN MACHINERY AND EQUIPMENT, BUSES, AND VARIOUS CONSUMER AND DURABLE GOODS IS ONE OF FOUR CASES OF TIED AID. HOWEVER, IRAN'S ABILITY TO SUPPLY MOST OF THESE IMPORTS PROBABLY IS SEVERAL YEARS AWAY.

(2) INDIA - ONLY KNOWN PROPOSED CREDITS TO INDIA ARE \$300 MILLION FOR DEVELOPMENT OF KUDREMUKH IRON ORE DEPOSITS IN SOUTH INDIA AND \$60 MILLION TO DEVELOP ALUMINA MINES IN SAURASHTRA. BOTH WOULD PROVIDE RAW MATERIAL IMPORTS NEEDED BY IRAN, BUT \$300 MILLION FOR KUDREMUKH STILL DEPENDENT ON FAVORABLE RESULTS FROM ANALYSIS NOW BEING MADE TO DETERMINE WHETHER KUDREMUKH IRON ORE IS SUITABLE FOR GAS REDUCTION SPONGE IRON PLANTS TO BE CONSTRUCTED IN AHWAZ AREA. SHAH IN INTERVIEW GIVEN ON RECENT PARIS VISIT APPEARING IN JUNE 25 "LE MONDE" REFERRED TO \$1 BILLION IN AID TO INDIA. THIS FIGURE PROBABLY INCLUDES UNKNOWN AMOUNT OF OIL TO BE SOLD INDIA, AT \$3.75 PER BARREL WITH BAL-
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 TEHRAN 05681 01 OF 03 111031Z

ANCE TO BE PAID AT UNKNOWN LATER DATE. PRESUMABLY CONCESSIONAL INTERST WOULD BE CHARGED. (SEE TEHRAN 1548, 1488 AND 1449 AND NEW DELHI 4234 AND 3926.)

(3) PAKISTAN - PIROOZKAR SAID \$580 MILLION EARMARKED IN CREDITS FOR PAKISTAN. UNLIKE OTHER BILATERAL AID DEALS, HOWEVER, THIS ONE HAS RECEIVED LITTLE PUBLICITY. SHAH ALSO REFERRED TO

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 TEHRAN 05681 02 OF 03 111159Z

50

ACTION INR-10

INFO OCT-01 AF-10 EUR-25 NEA-14 ISO-00 FEA-02 AEC-11

AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 EB-11

FPC-01 H-03 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 XMB-07

FRB-02 DRC-01 AGR-20 IO-14 OPIC-12 SWF-02 /235 W

----- 084654

R 110914Z JUL 74

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 7276

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DACCA

AMEMBASSY DAKAR

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY ISLAMABAD

AMEMBASSY KABUL

AMEMBASSY KHARTOUM

AMEMBASSY KINSHASA

AMEMBASSY KUWAIT

C/AMEMBASSY LONDON 3182

AMEMBASSY MANAMA

AMEMBASSY MASERU

AMEMBASSY MUSCAT

AMEMBASSY NAIROBI

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

AMEMBASSY RABAT

AMEMBASSY ROME

AMEMBASSY TUNIS

USMISSION EC BRUSSELS

OECD PARIS

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TEHRAN 05681 02 OF 03 111159Z

C O N F I D E N T I A L SECTION 2 OF 3 TEHRAN 5681

\$1 BILLION FOR PAKISTAN IN "LE MONDE" INTERVIEW. COMMUNIQUE AFTER BHUTTO VISIT IN LATE MARCH WAS NOT SPECIFIC ON FINANCIAL ASSISTANCE BUT REFERRED TO PAK NEED FOR ASSISTANCE IN VIEW OF OIL PRICE INCREASES AND IRANIAN WILLINGNESS TO HELP ON "SPECIAL AND FRIENDLY" TERMS (TEHRAN 2525). BECAUSE IRAN WOULD FIND IT DIFFICULT TO GIVE INDIANS BETTER DEAL THAN PAKISTANIS, SEEMS LIKELY BOTH COUNTRIES WILL END UP WITH SAME OR SIMILAR ARRANGEMENT ON OIL IMPORTS FROM IRAN WITH LARGE PORTION OF COST ON DEFERRED PAYMENT AND CONCESSIONAL INTEREST RATE BASIS. OTHER THAN JOINT VENTURE TEXTILE AND CEMENT PLANS, AGRO-INDUSTRY COMPLEX IN PAKISTAN, AND SYNTHETIC RUBBER PRODUCTION IN IRAN (TEHRAN 8145 OF NOVEMBER 19, 1973), EMBASSY UNAWARE HOW \$580 MILLION IN CREDITS TO PAKISTAN MIGHT BE USED. EMBASSY WILL CONTINUE TRYING TO FIND OUT ADDITIONAL DETAILS OF BOTH INDIA AND PAKISTAN OIL PAYMENT DEALS.

(4) SYRIA - NO FURTHER KNOWN DEVELOPMENTS SINCE \$150 MILLION IN CREDITS REPORTED TEHRAN 4120. THERE IS SOME FEELING THAT GIVEN GENERALLY COOL IRANO-SYRIAN RELATIONS, JOINT VENTURES LESS LIKELY TO BE WORKED OUT THAN THOSE WITH OTHER COUNTRIES.

(5) MOROCCO - MINISTRY OF ECONOMICS AND FINANCE CONFIRMED \$30 MILLION LOAN MADE TO MOROCCO WITH SIX-YEAR GRACE PERIOD, 12-YEAR REPAYMENT, AT FOUR PERCENT (TEHRAN 4026) FOR AGRICULTURAL DEVELOPMENT.

(6) SUDAN - PROTOCOL SIGNED FOLLOWING MARCH VISIT OF SUDANESE MINISTER OF FINANCE AND TRADE MANSOUR PROVIDED FOR IRANIAN CREDITS FOR JOINT VENTURES IN INDUSTRY, AGRICULTURE AND AGRO-INDUSTRY. ALSO NOTED WAS IRANIAN CREDIT FOR OIL INDUSTRY COOPERATION. PRESUMABLY SOME PROVISION WILL BE MADE FOR OIL IMPORTS ON DEFERRED PAYMENT BASIS SIMILAR TO INDIA AND PAKISTAN DEALS, BUT EMBASSY HAS NOT LEARNED DETAILS AND ASSUMES NEGOTIATIONS STILL NOT COMPLETED. PIROOZKAR SAID CREDITS TO SUDAN WOULD BE AT FOUR PERCENT INTEREST RATE.

(7) JORDAN - INFORMATION AVAILABLE IN TEHRAN CONFIRMS AMMAN A-5 REPORTING \$5 MILLION LOAN FOR EDUCATION TO BE REPAID OVER CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TEHRAN 05681 02 OF 03 111159Z

20 YEARS AT TWO PERCENT, AND \$3 MILLION IN TRADE CREDITS. REPAYMENT WILL BE MADE IN JORDANIAN DINARS TO BE DEPOSITED IN SPECIAL DEVELOPMENT FUND FOR JOINT PROJECTS IN JORDAN.

(8) TUNISIA-FOLLOWING PRIME MINISTER NOUIRA'S DECEMBER 1973 VISIT TO IRAN, \$4 MILLION LOAN IN FRENCH FRANCS WAS ANNOUNCED FOR SADI SALAM DAM PROJECT. REPORTEDLY TUNISIAN LOAN ALSO TWO PERCENT, AND 20-YEAR REPAYMENT ALSO TO BE INTO SPECIAL DEVELOP-

MENT FUND FOR JOINT PROJECTS. COMUNIQUE ISSUED AT END OF VISIT ALSO NOTED POSSIBLE TECHNICAL AND ECONOMIC COOPERATION BETWEEN TWO COUNTRIES, SPECIFYING PETROCHEMICALS.

(9) SENEGAL - IRAN IN 1973 EXTENDED \$2.4 MILLION CREDIT FOR AGRICULTURAL DEVELOPMENT TO SENEGAL. DURING PRIME MINISTER HOVEYDA'S VISIT TO FEBRUARY, ECONOMIC AND CULTURAL COOPERATION AGREEMENT SIGNED. AT TIME OF MINISTER OF STATE/PLAN AND BUDGET ORGANIZATION DIRECTOR A.M. MAJIDI'S VISIT TO DAKAR IN JUNE, IRANIAN CREDIT OF \$8.5 MILLION AT TWO AND ONE-HALF PERCENT FOR IRRIGATION AND INDUSTRIAL PROJECTS ANNOUNCED (DAKAR 3361). SENEGALESE PRIME MINISTER DIOUF CURRENTLY IS IN IRAN, AND ADDITIONAL PROGRESS MAY BE MADE IN NEGOTIATIONS FOR JOINT VENTURE IN CONSTRUCTION OF OIL REFINERY WITH SUBSIDIARY PETROCHEMICAL PLANT. EMBASSY WILL REPORT AS INFORMATION BECOMES AVAILABLE.

(10) ZAIRE - MAJIDI ALSO VISITED ZAIRE IN JUNE WHERE DISCUSSIONS HELD ON JOINT VENTURES IN INDUSTRY, AGRO-BUSINESS, AND MINERAL EXPLOITATION. NO INDICATION YET RECEIVED ON POSSIBLE AMOUNT OF IRANIAN CREDITS. HIGH LEVEL DELEGATION FROM ZAIRE EXPECTED TO VISIT IRAN IN NEAR FUTURE TO PRESENT SPECIFIC PROJECT PROPOSALS.

(11) LESOTHO - RESULTS OF IRANIAN TEAM'S APRIL VISIT TO LESOTHO TO DISCUSS AGRICULTURAL AND OTHER TECHNICAL ASSISTANCE AND POSSIBLY CONCESSIONAL OIL SALES NOT KNOWN. SEE TEHRAN 2275 REPORTING PRIME MINISTER JONATHAN'S MARCH VISIT TO IRAN.

3. FIGURES FOR NON-OIL CREDITS NOTED ABOVE TOTAL SLIGHTLY MORE THAN \$2 BILLION, OR ABOUT \$500 MILLION LESS THAN \$2.5 BILLION CREDIT COMMITMENT TO DEVELOPING COUNTRIES NOTED BY PIROOZKAR AND CITED BY PRIME MINISTER HOVEYDA IN RECENT LETTER TO UN SECRETARY GENERAL ON IRANIAN AID PLANS. SOME COMMITMENTS NOT KNOWN, HOWEVER, AND ADDITIONAL COMMITMENTS TO SEVERAL COUNTRIES

CONFIDENTIAL

PAGE 04 TEHRAN 05681 02 OF 03 111159Z

LISTED ABOVE SEEM LIKELY. RECENT HIGH LEVEL KENYAN (TEHRAN 3846) AND BANGLADESH (TEHRAN 4793) VISITS DID NOT RESULT IN GOI LOAN COMMITMENTS, BUT BOTH COUNTRIES SEEM LIKELY RECEIVE CREDITS IN FUTURE. ANOTHER LIKELY RECIPIENT IS AFGHANISTAN, WHICH SEMI-OFFICIAL "KAYHAN INTERNATIONAL" RECENTLY SAID SHOULD BE GIVEN LOANS ON SAME BASIS AS INDIA. IF \$1 BILLION EACH IN TOTAL COMMITMENTS TO INDIA AND PAKISTAN NOTED BY SHAH ARE CORRECT, TOTAL IRANIAN AID FUNDS EARMARKED THUS FAR EASILY EXCEED \$3 BILLION. IN ANY CASE, SUBSTANTIAL INCREASE IN GOI AID COMMITMENTS SEEMS CERTAIN.

4. TECHNICAL ASSISTANCE: IRAN HAS HAD TA PROGRAM FOR ABOUT TWO YEARS, BUT ORGANIZATION, IF ANYTHING, SEEMS MORE CHAOTIC THAN BILATERAL LENDING PROGRAM. TECHNICAL ASSISTANCE DEPARTMENT IN MINISTRY OF FOREIGN AFFAIRS UNDER DIRECTOR NASROLLAH FAHMI

SUPPOSEDLY COORDINATES ENTIRE EFFORT. HOWEVER, FAHMI, WHO TOOK

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 TEHRAN 05681 03 OF 03 111214Z

50

ACTION INR-10

INFO OCT-01 AF-10 EUR-25 NEA-14 ISO-00 FEA-02 AEC-11

AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 EB-11

FPC-01 H-03 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 XMB-07

DRC-01 FRB-02 AGR-20 IO-14 OPIC-12 SWF-02 /235 W

----- 084783

R 110914Z JUL 74

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 7277

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DACCA

AMEMBASSY DAKAR

AMEMBASSY DAMASCUS

AMEMBASSY DOHA (POUCH)

AMEMBASSY ISLAMABAD

AMEMBASSY KABUL

AMEMBASSY KHARTOUM

AMEMBASSY KINSHASA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MASERU

AMEMBASSY MUSCAT

AMEMBASSY NAIROBI

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

AMEMBASSY RABAT

AMEMBASSY ROME

AMEMBASSY TUNIS

USMISSION EC BRUSSELS
OECD PARIS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TEHRAN 05681 03 OF 03 111214Z

C O N F I D E N T I A L SECTION 3 OF 3 TEHRAN 5681

ON JOB ONLY TWO MONTHS AGO AFTER FOUR-YEAR STINT AS CONSUL GENERAL IN MUNICH AND WITH DISADVANTAGE OF WIDE GAP SINCE DEPARTURE OF PREDECESSOR IN JOB, HAS BEEN TEMPORARILY ASSIGNED TO COVER VACANT POSITION IN MFA CULTURAL DEPARTMENT AS WELL AND HAS HAD LITTLE TIME TO LEARN HIS NEW JOB. HE ESTIMATES \$5 MILLION SPENT BY GOI ON TA DURING 1395 (MARCH 21, 1973 - MARCH 20, 1974). LEADING RECIPIENT COUNTRIES WERE PERSIAN GULF SHEIKDOMS (PARTICULARLY UEA), JORDAN, MOROCCO, PAKISTAN AND SENEGAL. ABOUT 200 STUDENTS PER YEAR, MOSTLY FROM ARAB, OTHER ASIAN, AND AFRICAN COUNTRIES, ARE STUDYING IN IRAN UNDER PROGRAM. AGRICULTURAL, ENGINEERING AND MEDICAL TECHNICIANS AND TEACHERS HAVE BEEN PROVIDED, BUT FAHMI SAID HE UNABLE SAY HOW MANY IRANIANS SERVING ABROAD IN TA PROGRAM. SEEMS UNLIKELY IRAN WILL BE ABLE PROVIDE LARGE NUMBERS OF PERSONNEL IN CATEGORIES WANTED BY OTHER DEVELOPING COUNTRIES BECAUSE OF SEVERE AND GROWING SHORTAGE OF TALENT AT HOME. TA PROGRAM, HOWEVER, LIKELY TO BECOME USEFUL VEHICLE FOR RELATIVELY SMALL AMOUNTS OF GRANT AID TO SMALLER AFRICAN AND MIDDLE EASTERN DEVELOPING COUNTRIES.

5. MULTILATERAL AID: IRAN ALREADY HAS PURCHASED \$200 MILLION IN WORLD BANK BONDS (AT EIGHT PERCENT INTEREST RATE) AND INDICATED WILLINGNESS PURCHASE ADDITIONAL \$150 MILLION BEFORE JUNE 30, 1975. ACCORDING TO SEVERAL SOURCES, IRANIAN OFFER OF \$700 MILLION LOAN TO IMF REMAINS OPEN. THIS AMOUNT ALSO EXPECTED TO BE COMMITTED BY MID-1975 ASSUMING IMF WORKS OUT DETAILS OF SPECIAL FINANCING FACILITY FOR COUNTRIES IN BALANCE OF PAYMENTS TROUBLE BECAUSE OF RECENT COMMODITY PRICE INCREASES. IRANIAN OFFER OF \$150 MILLION TO SPECIAL OPEC FUND FOR DEVELOPING COUNTRIES ALSO REMAINS OPEN, BUT GOI APPARENTLY NOT SANGUINE THAT ENOUGH OIL EXPORTING COUNTRIES WILLING PARTICIPATE TO EVER GET FUND ORGANIZED.

6. AID INSTITUTIONS: SHAPE INSTITUTIONAL SETUP FOR IRANIAN FOREIGN ASSISTANCE LIKELY TO TAKE STILL FAR FROM CLEAR. AS SENIOR ECONOMICS MINISTER IN CABINET, SEEMS NEARLY CERTAIN MINISTER OF ECONOMIC AFFAIRS AND FINANCE HUSHANG ANSARY WILL INSIST SUCCESSFULLY THAT FOREIGN AID ESTABLISHMENT REST IN HIS BAILIWICK. WORKING LEVEL RESPONSIBILITY FOR ADMINISTERING BILATERAL AND MULTILATERAL LENDING SEEMS LIKELY FALL UNDER FOREIGN LOANS AND CREDITS DIVISION,
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TEHRAN 05681 03 OF 03 111214Z

HEADED BY HESHMATOLLAH NIKAIN, WHICH UNTIL RECENTLY WAS OFFICE IN FORMER MINISTRY OF FINANCE WITH RESPONSIBILITY FOR NON-MILITARY IRANIAN BORROWING FROM FOREIGN GOVERNMENTAL LENDING INSTITUTIONS. RESPONSIBILITY FOR SMALL TECHNICAL ASSISTANCE PROGRAM EXPECTED TO REMAIN AT MINISTRY OF FOREIGN AFFAIRS. ORGANIZATIONAL FRAMEWORK OF FOREIGN ASSISTANCE PROGRAM APPARENTLY WILL NOT BE ESTABLISHED UNTIL GOI MINISTERIAL REORGANIZATION FOLLOWING APRIL 1974 CABINET RESHUFFLE IS COMPLETED IN ANOTHER TWO TO THREE MONTHS, AND THERE STILL IS ROOM FOR BUREAUCRATIC MANEUVER. GOI RECENTLY SUBMITTED BILL TO MAJLIS (PARLIAMENT) SEEKING LEGISLATIVE AUTHORITY FOR FOREIGN LENDING, BUT MEASURE IS LARGELY COSMETIC CONSIDERING THAT LACK OF PARLIAMENTARY AUTHORIZATION HAS NOT INHIBITED LOAN NEGOTIATIONS THUS FAR. INITIAL DECISIONS ON WHICH COUNTRIES WILL RECEIVE AID FUNDS FROM IRAN UNDOUBTEDLY WILL CONTINUE TO BE MADE BY SHAH.

7. BALANCE OF PAYMENTS ASSISTANCE TO DEVELOPED COUNTRIES: DURING LATE JUNE VISIT OF HIM TO FRANCE, IRANIANS AGREED TO ADVANCE \$1 BILLION OVER NEXT THREE YEARS IN PREPAYMENT OF IMPORTS FROM FRANCE EXPECTED TO BE NEEDED FOR PLANNED JOINT VENTURES (TEHRAN 5368, PARIS 15831). FIRST TRANCHE OF \$300 MILLION TO BE PAID BY END OF FY 1974. CENTRAL BANK OF IRAN GOVERNOR YEGANEH, HOWEVER, RECENTLY TOLD AMBASSADOR THAT ADVANCE TO FRANCE WOULD BE PAID "AS NEEDED" AND IMPLIED THAT MONEY CAN BE WITHDRAWN BY IRANIANS FOR INVESTMENT IN JOINT VENTURES AND IMPORT REQUIREMENTS. IN RECENT AUDIENCE WITH HIM, SHAH TOLD AMBASSADOR \$1.2 BILLION LIKELY TO BE ADVANCE TO BRITISH BANKS. SINCE THIS AMOUNT EXCEEDS EXPECTED BRITISH INVESTMENT IN IRAN OVER NEXT FEW YEARS (TEHRAN 8688 OF DECEMBER 10, 1973), PRESUMABLY SUBSTANTIAL PORTION WOULD BE IN FORM OF LOANS. ALSO POSSIBLE THAT DEALS CURRENTLY BEING NEGOTIATED WITH ITALY WILL INVOLVE SIZABLE ADVANCES BY IRAN (TEHRAN 4870 AND 5203, STATE 141121). PRESUMABLY, MARKET RATES OF INTEREST WILL BE PAID ON ANY ADVANCES OR LOANS TO INDUSTRIALIZED COUNTRIES FOR BALANCE OF PAYMENTS ASSISTANCE.

8. DEBT PREPAYMENT: PRIME MINISTER HAS STATED PUBLICLY GOI INTENTION TO PREPAY \$1.5 BILLION IN DEBTS TO DEVELOPED COUNTRIES BY MID-1975. ACCORDING TO PIROOZKAR, LOANS FROM COMMERCIAL BANKS AT FLOATING RATES WILL BE FIRST PAID OFF, AND ALL EXTERNAL DEBTS EXCEEDING SEVEN PERCENT INTEREST EVENTUALLY EXPECTED TO BE PREPAID.

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 TEHRAN 05681 03 OF 03 111214Z

9. GOI AID PHILOSOPHY AND PRIORITIES: IRAN IN RECENT MONTHS HAS CHANGED FROM AID RECIPIENT TO SUBSTANTIAL FOREIGN AID DONOR, AND IRANIAN AID TO SELECTED DEVELOPING COUNTRIES AND THROUGH MULTILATERAL INSTITUTIONS SHOULD INCREASE OVER NEXT FEW YEARS. THUS FAR, THERE SEEMS TO BE NO PRETENSE THAT IRANIAN AID IS MOTIVATED

BY ALTRUISTIC FEELINGS. GIVEN IRANIAN DETERMINATION TO MAINTAIN OIL PRICES AT LEAST AT CURRENT LEVEL, BILATERAL AND MULTILATERAL CONCESSIONAL FOREIGN LENDING, ALONG WITH DEBT PREPAYMENT AND BALANCE OF PAYMENTS ASSISTANCE TO INDUSTRIALIZED NATIONS IN FORM OF LOANS AND ADVANCE PAYMENTS, CLEARLY SHOWS GOI REALIZATION THAT INFLATED RECEIPTS FROM OIL EXPORT EARNINGS MUST BE KEPT IN CIRCULATION FOR SURVIVAL OF INTERNATIONAL FINANCIAL SYSTEM. OTHER DEVELOPING COUNTRY AID RECIPIENTS ALSO ARE PLAINLY SELECTED FOR REASONS OF SELF INTEREST, E.G., EGYPT AND TUNISIA WHERE GOI WISHES SEE MODERATE GOVERNMENTS SURVIVE; FELLOW MONARCHIES OF JORDAN AND MOROCCO; SENEGAL, ZAIRE AND LESOTHO, TO ENHANCE PRESTIGE AND BROADEN INFLUENCE IN BLACK AFRICA; AND TECHNICAL AID TO PERSIAN GULF SHEIKDOMS AS COUNTERWEIGHT TO SAUDI ARABIAN INFLUENCE. IRAN OBVIOUSLY SEES AID AS VERY USEFUL VEHICLE TO PROMOTE NATIONAL INTERESTS AND BUILD UP INTERNATIONAL IMAGE, BOTH AS RESPONSIBLE MEMBER OF WORLD COMMUNITY AND AS BURGEONING FINANCIAL POWER.

HELMS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TECHNICAL ASSISTANCE, FOREIGN ASSISTANCE, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TEHRAN05681
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: TEHRAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740755/aaaabvhl.tel
Line Count: 511
Locator: TEXT ON-LINE
Office: ACTION INR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 10
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 74 STATE 135977
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2002 by worrelsw>; APPROVED <20 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC ASSISTANCE BY OIL PRODUCERS: IRAN
TAGS: EAID, EFIN, IR
To: n/a
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005